

Advances by the bank to the state, which had been on the average of 1903 36,900,000 yen, reached on June 4, 1904, 96,000,000 yen—an amount in excess of the gold stock; but they also were reduced from the proceeds of the foreign loans.¹

Gold began to leave the country rapidly and only the energetic action of Mr. Takahashi, vice-governor of the bank, in obtaining large loans for the government in London and New York, averted the exhaustion of the bank's specie resources. The specie reserve on May 31, 1904, had fallen to 68,087,261 yen (\$34,000,000), gold exports ran for four months at an average of 14,000,000 yen per month, and the exchange value of the yen declined to two shillings and one-eighth pence.³ Conditions changed with the subscriptions for the loans. The public were called upon to bring their gold to the bank and the government transferred to its vaults a portion of the proceeds of the payments made in London and directed that it be added to the reserves.³ The lowest point subsequently touched by the specie reserve was on December 31, 1904, when the amount was 83,581,226 yen; but it was restored from the proceeds of new loans and did not again fall below 100,000,000 yen.

A device for meeting currency demands in Manchuria was adopted by the government of Japan similar to that adopted by Russia. This was the issue of [{]* war notes[}] expressed in yen, but redeemable in silver. They were issued in denominations as low as ten sen (five cents) and as high as ten yen (\$5.00). While their circulation was not permitted in Japan, they obtained a wide currency in Korea as well as in Manchuria, and arrangements were made to convert them on favorable terms into gold, especially when received by Japanese merchants for goods sold in Manchuria.⁴

* Helfferich, 119. The German author declares that "Japan availed herself in a very large measure of the central bank to meet her needs for money and for a certain time even to the utmost possible limit."—*Les Finances des Belligerents*, 122.

* *Le Marché Financier en 1904-05*, 615.

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⁴ *Ibid.*